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**GP NanoTechnology Group Limited**  
**廣平納米科技集團有限公司\***  
*(Incorporated in Bermuda with limited liability)*

**ANNOUNCEMENT RELATING TO PRICE SENSITIVE INFORMATION  
AND BUSINESS UPDATES**

**Summary**

This announcement is made at the request of the Stock Exchange to clarify certain information contained in the Company's announcement dated 5 March 2003 as a result of certain complaints made against the Company. The Board takes a very prudent view over the Allegation and has passed a resolution on 9 October 2003 to appoint an inquiry committee to make inquiries on matters disclosed in the announcement dated 5 March 2003. The Committee is expected to make appropriate recommendations on actions to be taken to the Board by no later than December 2003. Further announcement will be made to update the progress of the Inquiry.

The Board further announces that based on the information disclosed in the SDI notice filed by MWR and the information collected from Standard Registrars Limited, MWR had disposed its entire interest in the Company (representing approximately 36.17% of the issued share capital of the Company).

A writ was served against the Company in relation to outstanding sponsorship fee in the amount of HK\$615,384.62. The Company intends to contest the proceedings and the case is being handled by a firm of solicitors. In relation thereof, SW Capital has terminated its role as a continuing sponsor with effect from 11 May 2003. The board further announces that the Company has appointed JS Cresvale Capital Limited as a replacement sponsor with effect from 23 August 2003.

The Board further announces that Mr. Chiang has been appointed as an executive director with effect from 12 August 2003 and together with Mr. Ong will replace Mr. Fung and Mr. Chow as the authorized representatives of the Company with effect from 12 August 2003. In addition, Mr. Choy has resigned as an independent non-executive director and member of the audit committee of the Company with effect from 15 August 2003 due to busy engagement of his private practice and Mr. Choy confirmed that there is nothing in relation to his resignation that should be brought to the attention to the Stock Exchange. Mr. Siu has taken up the position of Mr. Choy with effect from 15 August 2003.

The Directors would also like to clarify certain statements made in an article published in a magazine on 10 September 2003 in relation to certain allegations made against the Company's factory operations in the PRC.

#### **Summary**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 August 2003.

Trading of shares remain suspended. An announcement with further details will be made

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made at the request of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) to clarify certain information contained in the Company’s announcement dated 5 March 2003 (the “**Announcement**”), in particular in relation to the acquisition of Heilongjiang Plant, as a result of certain complaints made against the Company.

### **1. HEILONGJIANG PROJECT**

Reference is made to the Announcement whereby it was announced that the Letter of Intent was entered into between the Heilongjiang Party as vendor and GPCI as purchaser on 8 October 2001 in relation to the proposed acquisition of more than 50% shareholding interest in the Heilongjiang Plant. The Heilongjiang Project was introduced by Mr. Kwong Chun Kau (“**Mr. Kwong**”), an executive Director of the Company, who had conducted a site visit in Heilongjiang Plant and had met and negotiated with the management of both the Heilongjiang Party and Heilongjiang Plant. Mr. Kwong had developed a business relationship with Heilongjiang Party through the negotiation of other investment projects such as property development in the PRC on behalf of the Company prior to October 2001. Mr. Kwong knows the Heilongjiang Party before the Company was listed and Mr. Cheung Long Chung (“**Mr. Cheung**”) was introduced to the Heilongjiang Party by Mr. Kwong also during the time prior to the listing of the Company. Mr. Cheung has been one of the principal liaison parties after the introduction to Heilongjiang Party via Mr. Kwong.

The terms of the Letter of Intent was discussed by the Board (excluding the independent non-executive Directors) in October 2001 after taking into consideration details on the Heilongjiang Plant, including its location, gross floor area, annual production capacity, production facilities, and machinery and equipment, provided by the Heilongjiang Party, but not including details on sales, profit and loss, and net tangible asset of Heilongjiang Plant. The Board (excluding the independent non-executive Directors) thereafter convened a meeting on 31 December 2001 to ratify the deposit of RMB7 million for the proposed acquisition of Heilongjiang Plant.

Save for making the aforesaid deposit by the Group to Heilongjiang Party, no other major terms, such as total consideration for the proposed acquisition of Heilongjiang Plant, had been arrived

at between the Heilongjiang Party and the Group, and included as a term in the Letter of Intent. According to the commercial negotiation between the Heilongjiang Party and the Group, the Heilongjiang Party refused to include a provision for exclusive right for the proposed acquisition of Heilongjiang Plant in the Letter of Intent. On 30 October 2001, a refundable deposit in the sum of RMB7 million was paid directly by cheque pursuant to the Letter of Intent to the Heilongjiang Party as an indication of the Group's interest in the proposed acquisition of the Heilongjiang Plant. The amount of deposit was arrived at without any reference and based on commercial negotiations between the Group and Heilongjiang Party.

However, negotiation on the terms of the proposed acquisition fell through as certain major commercial terms such as total considerations, settlement method and the percentage of equity interests to be invested could not be agreed upon between the Heilongjiang Party and GPCI within the Negotiation Period. When the Company demanded refund of the deposit of RMB7 million on 8 October 2002, the Heilongjiang Party was unable to make the repayment to the Group in one lump sum due to the financial difficulty encountered by itself. As such, the Group had agreed with the Heilongjiang Party to enter into a cancellation agreement on 8 October 2002 as approved by the Board (excluding the independent non-executive Directors) on the same date to rearrange the original repayment schedule as set out in the Letter of Intent to be repaid by way of instalments.

In accordance with the Cancellation Agreement, Heilongjiang Party agreed to repay the deposit of RMB7 million by three instalments within a period of seven months after the date of the Cancellation Agreement with the first instalment of RMB2 million due on the first three months, second instalment of RMB2 million due on the following two months and the third instalment of the remaining RMB3 million due on two months thereafter.

The Heilongjiang Party has all along been known to and handled by Mr. Kwong and later introduced to Mr. Cheung, being the Company consultant after the listing of the Company until the middle of May 2003, who is also the chief representative of Modern World Resources Limited (“**MRW**”), the substantial shareholder of the Company at the relevant times. Being the consultant of the Company, the primary role of Mr. Cheung involved identifying and introducing potential joint venture partners or strategic partners to the Company. As per the Company's management structure, the Company's finance director is Mr. Chow Chun Kwong (“**Mr. Chow**”), who controls all the finance activities and accounting functions of the Company while as Ms. Wong Yau Ming (“**Ms. Wong**”) and Mr. Cheung are the treasurer of the Company at the relevant times.

Mr Cheung, Mr Kwong and Miss Wong had been known to each other for a long time while the other directors, chief executives, management shareholders and substantial shareholders of the Company had no relationship with them prior to the listing of the Company. Ms. Wong, being

the controlling shareholder of MWR, also held several directorship of the Company's subsidiaries, namely GP Nano (H.K.) Limited, Self Made Holdings Limited and GP Nano Investments Limited. In addition, both Mr. Cheung and Ms. Wong had relinquished their authority to sign cheques of the Company since May 2003.

The Company was informed by Mr. Kwong that since the cancellation of the agreement with the Heilongjiang Party, the relationship between the Company and the Heilongjiang Party had turned sour, and that he was unable to contact the Heilongjiang Party. Since the Heilongjiang Project was delegated to Mr. Kwong and the only other person known to the Heilongjiang Party was Mr. Cheung, thus, the Company sought assistance of Mr. Cheung in trying to contact the Heilongjiang Party and obtain the receipt for the Company.

The Company was informed by Mr. Cheung that the Heilongjiang Party had deposited the first repayment of RMB2.02 million to the Company on 7 February 2003. The Company received the repayment of the first installment together with interest on late payment in the sum of RMB2.02 million from Heilongjiang Party. The Company had tried to obtain evidence of receipt via Mr. Cheung, as he was the consultant of the Company and one of the principal liaison parties in relation to the Heilongjiang project. However, Mr. Cheung repeatedly informed the Company that he too had difficulties in obtaining evidence from the Heilongjiang Party for the reasons that:- (i) the Heilongjiang Party's relationship with the Company has turned sour after the cancellation of the agreement; and (ii) the Heilongjiang Party has financial difficulties. In addition, after the first installment was settled, the Group was informed by Mr. Cheung in late April 2003 that the Heilongjiang Party had financial difficulties and was unable to settle the outstanding amount of RMB5 million. In view of this and as a matter of prudence, full provision has been made by the Company for the said sum of RMB5 million.

The Stock Exchange received a complaint against the Company (the "**Allegation**") in relation to certain information contained in the Announcement. In particular, it was alleged that the deposit in the sum of RMB7 million and the repayment of RMB2.02 million were never actually made.

At the request of the Stock Exchange, the Company has reviewed its accounting records and bank statements for payment of the deposit in the sum of RMB7 million by cheque and the repayment of RMB2.02 million by cash. Due to the lapse of time, the Company is unable to establish who delivered the cheque to Heilongjiang Party at this stage. However, the accounts of the Company during which the payment and partial repayment of the deposit was made had been audited by the Company's auditors and disclosure was made in the Company's annual reports dated 25 March 2002 and 25 March 2003 respectively.

In view of the recent inquiry again made by The Stock Exchange, the Company felt that an independent inquiry is necessary. In addition, the Directors take a prudent view over the

Allegation and have passed a resolution on 9 October 2003 to appoint an inquiry committee (the “**Committee**”) to make inquiries (the “**Inquiry**”) on matters disclosed in the Announcement, in particular in relation to the Heilongjiang Project and to make recommendations to the Board on appropriate actions to be taken.

The Committee is comprised of the following members:

Mr. Ong Hong Hoon (“**Mr. Ong**”), the Chief Executive Officer of the Group. Prior to joining the Company, Mr. Ong has worked as senior management of several reputable financial institutions in Malaysia and Hong Kong. Mr. Ong is primarily responsible for the overall daily management of the Company.

Mr. Chiang Chi Kin, Stephen (“**Mr. Chiang**”), a qualified solicitor, who is appointed as an executive director of the Company with effective from 12 August 2003. Mr. Chiang had held management positions with two companies listed on the main board of the Stock Exchange prior to joining the Company.

Mr. Siu Siu Ling, Robert (“**Mr. Siu**”) joined the Company as the independent non-executive director with effective from 15 August 2003. Mr. Siu has been a solicitor since 1992 and was admitted as a solicitor in England and Wales since 1993. Mr. Siu is the sole practitioner of Messrs. Robert Siu & Co., Solicitors. Mr. Siu practices in the field of commercial and corporate finance.

The Committee will appoint an independent auditor to carry out the Inquiry. The Committee is expected to report its findings to the Board by no later than December 2003. Further announcement will be made by the Company on the progress of the Inquiry.

## **2. DISPOSAL OF SHARES BY CONTROLLING SHAREHOLDER**

Based on the information disclosed in the SDI notice filed by Modern World Resources Limited (“**MWR**”) and based on information collected from the Company’s share registrar, Standard Registrars Limited, MWR had disposed of (the “**Disposal**”) its entire interests in the Company (representing approximately 36.17% of the total issued share capital of the Company) during the period from 5 June 2003 to 28 August 2003. As a result, MWR has ceased to be the controlling shareholder of the Company.

Set out below is the up-to-date shareholding structure of the Company after the Disposal:-

	Before the Disposal	After the Disposal
MWR ( <i>Note 1</i> )	180,850,000 shares (36.17%)	0 shares (0.00%)

Fang Hing Sang, Frank	0 shares (0.00%)	33,000,000 shares (6.60%)
Solidbase Holdings Limited ( <i>Note 2</i> )	96,750,000 shares (19.35%)	0 shares (0.00%)
Suez Asia Holdings (Pte.) Limited ( <i>Note 2</i> )	141,750,000 shares (28.35%)	141,750,000 shares (28.35%)
Sure Win Limited ( <i>Note 3</i> )	0 shares (0%)	24,340,000 shares (4.87%)

*Note:*

1. *Modern World Resources Limited is beneficially owned as to 68.75% by Ms. Wong Yau Ming, as to 18.75% by Mr. Fung Chiu and as to 12.5% by Mr. Kwong Chun Kau.*
2. *Solidbase Holdings Limited was beneficially owned by Full Joy Management Limited. Full Joy Management Limited was owned as to 99.99% by Modern World Resources Limited and 0.01% by Suez Asia Holdings (pte.) Limited. The sole director of Full Joy Management Limited was nominated by Suez Asia Holdings (pte.) Limited (“Suez Asia”). By its right to nominate the sole director of Full Joy Management Limited, Suez Asia was deemed to be interested in the 96,750,000 shares of the Company held by Solidbase Holdings Limited. On 26 September 2003, the Company received a copy of written notice from the legal adviser of Suez Asia notifying the Company that Suez Asia had vested in itself the interest of Full Joy Management Limited in relation to the shares of the Company. Therefore, Suez Asia is directly interested in 141,750,000 shares of the Company.*
3. *Sure Win Limited is beneficially owned as to 100% by Mr. Chiang.*

MWR did not inform nor confirm with the Company as to whether it had pledged its interests in the Company to secure any loan. The Company has not obtained any loan via pledging the shares of the Company. According to Mr. Fung and Mr. Kwong, they join MWR as the role of investor and their respective directorship in MWR is for investment purpose only. Mr. Fung and Mr. Kwong confirm that both of them are not aware of the Disposal as MWR had not served any notice or inform the Company during nor after the completion of the Disposal. Mr. Fung and Mr. Kwong are of the view that there is nothing to suggest that they have not fulfilled their fiduciary duties to the Company. In addition, according to Mr. Chiang, Sure Win Limited had acquired the shares of the Company from MWR through private placement on 11 August 2003.

According to the latest Company’s registrars, one Mr. Fang Hing Sang, Frank (“**Mr. Fang**”) had acquired 33,000,000 issued shares of the Company, therefore also becoming one of the substantial shareholders of the Company. However, the Company has no further information in relation to Mr. Fang’s acquisition of the shares of the Company.

### **3. TERMINATION OF CONTINUING SPONSORSHIP AND RELATED LITIGATION**

On 6 July 2001, the Company entered into an agreement with Shenyin Wanguo Capital (H.K.)

Limited (“**SW Capital**”) to appoint SW Capital as a continuing sponsor of the Company with a fixed term ending 31 December 2003 (the “**Sponsor Agreement**”), a minimum period covering the financial year during the listing of the Company occurred and the two financial years thereafter as referred to in Rule 6.01 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”).

On 5 May 2003, the Company received a written notification from SW Capital to terminate the Sponsor Agreement with effect from 12 May 2003 due to the Company’s alleged failure to settle outstanding sponsorship fees pursuant to the Sponsor Agreement. Total outstanding sponsorship fees claimed by SW Capital for the period between 1 October 2002 and 12 May 2003 amounted to HK\$615,384.62. SW Capital alleged that the Company’s persistent non-payment of sponsorship fees had constituted a material breach of the major terms of the Sponsor Agreement by the Company and jeopardized the interests of SW Capital and its shareholders as a whole.

To safeguard such interests, SW Capital took actions against the Company with a view to collecting the alleged unpaid fees. On 1 August 2003, SW Capital’s legal advisers issued a writ of summons under High Court Action no. 2863 of 2003 against the Company for the outstanding amount of sponsorship fees in the sum of HK\$615,384.62 and other costs incidental to such claim. In the circumstances, a situation of conflicts of interest has arisen which, in the opinion of SW Capital, were exceptional circumstance that would entitle it to terminate its role as continuing sponsor to the Company under Rule 6.61 of the GEM Listing Rules. As at the date of this announcement, the Company has not effected any payment in relation to the outstanding sponsorship fees and the case is being handled by a firm of solicitors.

#### **4. REPLACEMENT OF SPONSOR**

The Company is in breach of Rule 6.63 of the GEM Listing Rules by failing to appoint a replacement sponsor commencing from 11 August 2003 as a result of SW Capital’s unilateral termination of its role as the Continuing Sponsor to the Company on 12 May 2003. Nevertheless, the Board announces that the Company has appointed JS Cresvale Capital Limited as a replacement sponsor for the remaining period up to 31 December 2003 pursuant to Rule 6.63 of the GEM Listing Rules with effect from 23 August 2003.

#### **5. CHANGE IN DIRECTORS**

The Board is pleased to announce that Mr. Chiang has been appointed as an executive director of the Company with effect from 12 August 2003.

Mr. Chiang, aged 34, is a qualified solicitor since 1998. Mr. Chiang had held management positions with two companies listed on the main board of the Stock Exchange prior to joining the Company. Mr. Chiang will be responsible for legal and compliance as well as business development of the Company.

The Board further announces that Mr. Choy Man Fai, Melvin (“**Mr. Choy**”) has resigned as an independent non-executive director and member of the audit committee of the Company with effective from 15 August 2003 due to busy engagement of his private practice in the design field. Mr. Choy confirmed that there is nothing in relation to his resignation that should be brought to the attention of the Stock Exchange. The Board is pleased to announce that Mr. Siu has been appointed as an independent non-executive director and member of the audit committee of the Company with effective from 15 August 2003.

Mr. Siu, aged 50, has been a solicitor since 1992 and has been admitted as a solicitor in England and Wales since 1993. Mr. Siu holds a bachelor degree and a postgraduate certificate in law. Mr. Siu was a partner of the former firm Messrs. Joseph Chu, C.P. Cheung & Co. from 1997 to 1998 and partner of the firm Messrs. C.P. Cheung & Co. from 1997 to 2000. He is now the sole practitioner of Messrs. Robert Siu & Co., Solicitors. Mr. Siu practices in the field of commercial and corporate finance.

The Board wishes to express thanks and appreciation to Mr. Choy for his contribution to the Board during his tenure of service and would like to take this opportunity to welcome Mr. Chiang and Mr. Siu.

## **6. CHANGES IN AUTHORIZED REPRESENTATIVES, POSITION OF COMPLIANCE OFFICER**

The Board further announces that Mr. Chiang and Mr. Ong have replaced Mr. Fung and Mr. Chow Chun Kwong as the Company’s authorized representatives with effective from 12 August 2003. In addition, Mr. Chiang has also taken up the position as the compliance officer of the Company with effect from 12 August 2003.

## **7. CLARIFIATION OF PRESS ARTICLE**

The Directors would like to clarify certain statements made in an article published in EastWeek magazine dated 10 September 2003 in particular, that the Company’s factory in the PRC being no longer in operation; that workers in the factory in fact work for a different company owned by “Yin Hua Chemicals”; and that senior management of the Company, in particular, the Chairman, Mr. Fung Chiu, had never visited the Company’s factory in the PRC according to the factory workers. The Directors confirm that the statements and the allegations are untrue and made without basis.

The Directors confirm that due to the effect of the Severe Acute Respiratory Syndrome (“**SARS**”) happened during the second quarter of year 2003, sales of the Group’s precipitated calcium carbonate products is seriously affected as the demand had dropped significantly and the Company’s factory had piled up quite a number of stock within the period. In order to diminish



the operation costs, the Company had to reshuffle the routine inventory and production schedule which resulted in the cut off of some of the production shifts (approximately 30% of the normal production capacity) until demand level resume. The Company confirms that the production lines are being resumed on a progression and satisfactorily basis (approximately 65% of the normal production capacity).

Yin Hua Chemical Industrial Enterprise Co. Limited (“YHC”) is one of the Company’s wholly owned subsidiaries which operates under the business name of Yin Hua Chemicals. YHC focuses on the sales, distribution and collection activities of the Group’s precipitated calcium carbonate products. Mr. Fung Chiu (“Mr. Fung”) is one of the senior management members of the Company and he primarily concentrates on the strategic planning of the business direction of the Company. The Company employs more than 300 workers at the plant and the workers who work on shifts may not necessarily have the chance to recognize and meet with Mr. Fung during their shifts. Mr. Fung pays frequent and regular visits to the Company’s factory.

## **8. GENERAL AND CURRENT FINANCIAL POSITION OF THE COMPANY**

The Group is principally engaged in the manufacturing and sales of nanomaterials for use as fillers in different industrial applications such as the manufacturing of plastic and rubber products. Based on the unaudited accounts, the amount of cash and bank balances of the Group was approximately HK\$1 million as at 30 June 2003 and the total turnover for the six months ended 30 June 2003 amounted to HK\$19.6 million. On 30 June 2003, the net asset value of the Group amounts to approximately HK\$57.3 million. As to the financial position of the Company, the Directors are constantly seeking fund raising opportunities including equity and debt financing. The Group will continue to improve its business in order to generate sufficient cash flow to supports its operations. In the short term, if the Group could not obtain other sources of funds and the Group continues to experience net cash flow problem, the Group will rely on the extension of its existing debt financing on the assumption that the repayment dates for its loans can be extended. The Group also had secured borrowings of HK\$8.6 million, comprises of HK\$2.66 million and HK\$5.98 million which are interest bearing and was customarily extended for one year after it is due for repayment on 15 September 2003 and 22 October 2003 respectively. The Group also had other loans in the total sum of HK\$ 4.075 million which will fall due on December 2003. The said loan of HK\$4.075 million includes a loan finance from a finance company in the amount of HK\$4 million. The loan is for a fixed term of 3 months repayable on 1 December 2003 with an interest rate of 2.5% per month and has been secured by a floating charge over the Group’s entire undertakings.

As of 1 September 2003, the cash and bank balance amounted to approximately HK\$4.5 million. The Directors, assuming that the above mentioned loans will be extended, anticipates that the Group’s working capital is sufficient to support the operations of the Group for the next 6 months. Nevertheless, the Company will encounter cash flow problem if the loans cannot be

extended. The Directors confirm that there are no other material information to be brought to the attention of the shareholders

## **9. SUSPENSION OF TRADING IN THE SHARES**

At the request of the Company, trading in the shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 August 2003. Trading of shares remain suspended. An announcement with further details will be made.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board

**Fung Chiu**

*Chairman*

Hong Kong, 10 October 2003

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.gpnano.com](http://www.gpnano.com).*

*\* For identification purpose only*